

VAN BUREN INTERMEDIATE SCHOOL DISTRICT
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2006

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Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Racek
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Van Buren Intermediate School District
Lawrence, Michigan

October 13, 2006

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren Intermediate School District, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Van Buren Intermediate School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren Intermediate School District as of June 30, 2006, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education
Van Buren Intermediate School District

October 13, 2006

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2006, on our consideration of Van Buren Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xiii and 26 through 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Van Buren Intermediate School District's basic financial statements. The additional information on pages 30 through 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mamer, Costeniser & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The Administration's discussion and analysis, a requirement of GASB 34, is intended to be the Van Buren Intermediate School District Administration's discussion and analysis of the financial results for the year ended June 30, 2006.

Generally accepted accounting principles (GAAP) according to GASB 34, requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

FINANCIAL HIGHLIGHTS

The overall condition of all funds, governmental activities and business-type activities, remains in good shape for the District. In the future, financial activities and decisions will be based on the stability of state revenues and the ongoing mandates imposed by No Child Left Behind, Special Education requirements and other rules and regulations that school districts must address.

The assets of the Van Buren Intermediate School District exceeded its liabilities at the close of the most recent fiscal year by \$30.7 million (net assets). This was an increase of \$1.5 million from last year's total of \$29.2 million in net assets, as restated. As of June 30, 2006, \$18.2 million (unrestricted net assets) may be used to meet the District's ongoing obligations to taxpayers, students and vendors.

At the end of the current fiscal year, the aggregated fund balance for the District's operating funds (General Fund, Special Education Fund, and Vocational Education Fund) was \$18.9 million or 57% of the total expenditures of these operating funds. Last year it was at 64%. As of June 30, 2006, a total of \$2.1 million is designated for future building/renovation projects and \$2.6 million is designated for subsequent year expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole (government-wide statements), and then proceed to provide an increasingly detailed look at specific financial activities.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The government-wide financial statements distinguish functions of the Van Buren Intermediate School District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Van Buren Intermediate School District include instruction, support services, transfers to local districts and community services.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

This annual financial statement reports the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates and facility conditions in arriving at their conclusion regarding the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds can be found in this report under the heading "major governmental funds budgeting and operating highlights". The fund financial statements are found in this report and provide detailed information about the most significant funds. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". The District's two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

The District is the fiduciary for various student/other organizational group activities. All of the District's fiduciary activities are reported in a separate section in this report. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$30.7 million at June 30, 2006. Of this amount, \$18.2 million was unrestricted.

The largest portion of the District's net assets (59%) is unrestricted. The District may use this portion of its net assets to meet future spending.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The following is the analysis for fiscal years 2006 and 2005:

**STATEMENT OF NET ASSETS
JUNE 30, 2006 AND 2005
(in millions)**

	<u>Governmental activities</u>	
	<u>2006</u>	<u>2005</u>
Current assets	\$ 21.9	\$ 22.0
Noncurrent assets	<u>13.7</u>	<u>12.1</u>
Total assets	35.6	34.1
Current liabilities	3.3	3.4
Noncurrent liabilities	<u>1.6</u>	<u>1.5</u>
Total liabilities	4.9	4.9
Net assets:		
Invested in capital assets	12.5	10.7
Unrestricted	<u>18.2</u>	<u>18.5</u>
Total net assets	<u>\$ 30.7</u>	<u>\$ 29.2</u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2006 AND 2005
(in millions)**

	<u>Governmental activities</u>	
	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues*		
Charges for services	\$ 1.2	\$ 1.1
Operating grants and contributions	11.4	11.2
General revenue:		
Property taxes	16.0	15.0
Grants and state aid	3.3	3.1
Other	<u>0.7</u>	<u>0.4</u>
Total revenues	<u>32.6</u>	<u>30.8</u>
Net assets:		
Functions/program expenses:		
Instruction	11.1	10.7
Support services	17.9	17.1
Other	1.4	1.5
Depreciation	<u>0.7</u>	<u>0.6</u>
Total expenses	<u>31.1</u>	<u>29.9</u>
Increase in net assets	<u>\$ 1.5</u>	<u>\$ 0.9</u>

* Program revenues include: User fees for accounting software program, vocational center program sales, special education greenhouse sales, special education Medicaid fees and restricted state/federal monies.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The School District's budgets are prepared according to Michigan law. The most significant budgeted funds are the General Fund, the Special Education Fund, and the Vocational Education Fund. During the fiscal year ended June 30, 2006, the School District amended the budgets of these major governmental funds two times.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

General Fund

The general fund actual revenue was \$5.9 million. That amount is above the original budget estimates of \$4.8 million and below the final amended budget of \$6.1 million. The \$1.3 million variance between the original and final budget was due to: local source property taxes and interest earned on investments, increasing \$100,000; receiving new state and federal grants totaling \$800,000; incoming transfers for services provided to local schools increasing \$200,000; and projected transfers from other funds increasing \$200,000. The \$200,000 variance between the final amended budget and the June 30, 2006 actual results was due mainly to reduced federal program revenue and reduced transfers from other funds.

The actual expenditures of the general fund were \$5.8 million, which is above the original budget estimate of \$5.3 million and below the final amended budget of \$6.4 million. The \$1.1 million variance between the original and final budget was due to adding new programs, \$800,000, transfers to other funds, \$200,000, and capital acquisitions \$100,000. The \$600,000 variance between the final amended budget and the June 30, 2006 actual results was due to not fully expending monies in all program areas during the current year and the postponement of a land purchase.

The general fund had total revenues and other financing sources of \$5.9 million and total expenditures and financing uses of \$5.8 million with an ending fund balance of \$3 million.

Special Education Fund

The special education fund actual revenue was \$19.2 million. That amount is above the original budget estimate of \$18.9 million and below the final amended budget of \$19.9 million. The \$1 million variance between the original and final budget was due to increases in interest income of \$200,000, state aid of \$300,000, federal program revenues of \$300,000, and transfers from other funds of \$200,000 after the original budget was approved. The \$700,000 variance between the final amended budget and the June 30, 2006, actual results was mainly due to federal program revenue usage being less than projected.

The actual expenditures of the special education fund were \$20.1 million, which is below the original budget of \$22.2 million and below the final amended budget of \$22.8 million. The variance between the original and final budget is due to an increase in federal grant programs of \$300,000, additional federal pass-through monies to local schools of \$100,000, and additional transfer to other funds of \$200,000. The \$2.7 million variance between the final amended budget and the June 30, 2006 actual results was due to not fully expending all monies in each program area in the amount of \$2.2 million, a reduction in transportation costs of \$100,000, less non-federal pass through monies of \$200,000, and a reduction in facility construction costs of \$200,000.

The special education fund had total revenues and other financing sources of \$19.2 million and total expenditures of \$20.1 million with an ending fund balance of \$9.3 million.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Vocational Technical Education Fund

The vocational education fund actual revenue for the fiscal year ending June 30, 2006, was \$8.6 million. That amount is the same as the original budget estimate and the final amended budget of \$8.6 million.

The actual expenditures and other financing uses of the vocational education fund were \$8.1 million, which is below the original budget of \$9.2 million and below the final amended budget of \$9.0 million. The \$200,000 variance between the original and final budget was mainly due to anticipated increases in support services of \$100,000 and decreases to instruction of \$300,000. The \$900,000 variance between the final amended budget and the June 30, 2006 actual results was due to budgeting for fully expending program areas.

The vocational education fund had total revenues of \$8.6 million and total expenditures of \$8.1 million with an ending fund balance of \$6.5 million.

GOVERNMENTAL FUND REVENUES

The total governmental fund revenues of the District were \$32.5 million. Of the total revenues, \$17.4 million or 54% were generated from local sources, \$8.9 million or 27% were generated from state sources, \$5.8 million or 18% from federal sources, and \$.4 million or 1% were from incoming transfers and other transactions.

GOVERNMENTAL FUND EXPENDITURES

In reviewing the chart below, you will see that special education comprises 59% of all the expenditures within the governmental funds of the School District. Total governmental fund expenditures and other financing uses amounted to \$32.6 million. The governmental funds had a net loss in fund balance of approximately \$300,000. The ending fund balance for all governmental funds was \$18.8 million that represents 58% of current year expenditures. The ending fund balance percentage for the prior year represented 64% of last year's expenditures. This fund balance will be used to fund future programming, capital improvements and for maintenance of adequate cash flow to eliminate the need for borrowing.

	<u>June 30,</u> <u>2006</u>	<u>% of total</u>	<u>June 30,</u> <u>2005</u>	<u>% of total</u>
General fund	\$ 5.6	17.2%	\$ 5.2	17.5%
Special education fund	19.3	59.2%	16.7	56.2%
Vocational education fund	<u>7.7</u>	<u>23.6%</u>	<u>7.8</u>	<u>26.3%</u>
Total	<u>\$ 32.6</u>	<u>100.0%</u>	<u>\$ 29.7</u>	<u>100.0%</u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006, the School District had \$20 million invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$6.4 million in depreciation has been taken over the years. We currently have net book value of \$13.6 million. Total acquisitions for the year were \$2.2 million and depreciation was \$677,026. The majority of the acquisitions, \$1.8 million, were in the Building and Building Improvement category. It should be indicated that as our buildings and vehicles continue to age, repairs and maintenance will be ongoing and will drain resources from the respective fund expenditures. See the notes to financial statements indicating the increases in the different asset areas.

**CAPITAL ASSETS AT YEAR END
(net of depreciation, in millions)**

	<u>Governmental activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$ 0.5	\$ 0.4
Buildings and improvements	10.6	9.1
Furniture and equipment	1.6	1.6
Vehicles and buses	<u>0.9</u>	<u>0.9</u>
Total net assets	<u><u>\$ 13.6</u></u>	<u><u>\$ 12.0</u></u>

Long-Term Debt

At June 30, 2006, the School District had \$1,140,800 of Durant Resolution Bonds. These are a legal obligation of the school district, but the annual State of Michigan appropriation is the only revenue source making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the District is under no obligation for payment.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The economy in the State of Michigan continues to be slow. The current State of Michigan revenue estimates have declined significantly and the state has not experienced an economic turnaround based on last year's State Revenue Estimating Conference. In addition, health insurance costs and retirement contributions have increased higher than the rate of inflation.

These factors were considered in preparing the Van Buren Intermediate School District's budgets for the 2006-2007 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Van Buren Intermediate School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Barbara Matthews
Director of Finance and Operations
Van Buren Intermediate School District
490 South Paw Paw Street
Lawrence, Michigan 49064
Fax (269) 674-8030, Office Telephone (269) 674-8091
or Email – bmatthews@vbisd.org

VAN BUREN INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental activities</u>
ASSETS	
CURRENT ASSETS:	
Cash	\$ 17,799,059
Investments	1,324,688
Receivables:	
Accounts receivable	214,305
Taxes receivable	80,632
Due from other governmental units	2,145,788
Other	19,385
Prepaid expenditures	81,549
Inventory	233,352
TOTAL CURRENT ASSETS	<u>21,898,758</u>
NONCURRENT ASSETS:	
Capital assets	20,013,953
Less accumulated depreciation	(6,353,539)
TOTAL NONCURRENT ASSETS	<u>13,660,414</u>
TOTAL ASSETS	<u><u>\$ 35,559,172</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 1,285,775
Accrued salaries and related items	1,538,307
Accrued interest	160,353
Due to other governmental units	2,815
Deferred revenue	163,520
Current portion of long-term obligations	131,663
Current portion of compensated absences	20,000
TOTAL CURRENT LIABILITIES	<u>3,302,433</u>
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	1,087,132
Noncurrent portion of compensated absences	514,772
TOTAL NONCURRENT LIABILITIES	<u>1,601,904</u>
TOTAL LIABILITIES	<u>4,904,337</u>
NET ASSETS:	
Invested in capital assets net of related debt	12,441,619
Unrestricted	18,213,216
TOTAL NET ASSETS	<u>30,654,835</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 35,559,172</u></u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 11,065,754	\$ 305,876	\$ 4,735,872	\$ (6,024,006)
Support services	17,910,327	764,427	5,340,227	(11,805,673)
Community services	118,725		116,725	(2,000)
Outgoing transfer and other transactions	1,301,806	128,263	1,199,131	25,588
Interest on long-term debt	51,809		42,156	(9,653)
Unallocated depreciation	677,026			(677,026)
Total governmental activities	<u>\$ 31,125,447</u>	<u>\$ 1,198,566</u>	<u>\$ 11,434,111</u>	<u>(18,492,770)</u>
General revenues:				
Property taxes, levied for general purposes				379,919
Property taxes, levied for special education				8,952,250
Property taxes, levied for vocational education				6,648,788
State aid not restricted to specific purposes				3,301,014
Investment earnings				663,617
Other				24,120
Total general revenues				<u>19,969,708</u>
CHANGE IN NET ASSETS				1,476,938
NET ASSETS:				
Beginning of year, as restated (See Note 10)				<u>29,177,897</u>
End of year				<u>\$ 30,654,835</u>

VAN BUREN INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

		Special Revenue				
			Special	Vocational	Other nonmajor	Total
		General fund	education fund	education fund	governmental	governmental
					funds	funds
ASSETS						
ASSETS:						
Cash	\$	2,602,055	\$ 9,317,972	\$ 5,868,357	\$ 10,675	\$ 17,799,059
Investments		54,564	620,737	649,387		1,324,688
Receivables:						
Accounts receivable		196,739	11,800	5,766		214,305
Taxes receivable		1,402	56,100	23,130		80,632
Due from other governmental units		466,712	1,434,927	244,149		2,145,788
Due from other funds		36,771		273,095		309,866
Interest receivable		1,712	7,550	10,123		19,385
Prepaid expenditures		81,549				81,549
Inventory		87,137		146,215		233,352
TOTAL ASSETS		\$ 3,528,641	\$ 11,449,086	\$ 7,220,222	\$ 10,675	\$ 22,208,624
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$	272,224	\$ 736,775	\$ 276,776	\$	\$ 1,285,775
Accrued salaries and related items		94,808	1,023,068	420,431		1,538,307
Due to other funds			308,764	1,102		309,866
Due to other governmental units		112	2,703			2,815
Deferred revenue		164,221	38,210	10,750		213,181
TOTAL LIABILITIES		531,365	2,109,520	709,059		3,349,944
		General fund	Special	Vocational	Other nonmajor	Total
			education fund	education fund	governmental	governmental
					funds	funds
FUND BALANCES:						
Reserved, inventory	\$	87,137	\$	\$ 146,215	\$	\$ 233,352
Reserved, prepaid expenditures		81,549				81,549
Unreserved:						
Designated for future building projects		71,000	2,000,000			2,071,000
Designated for subsequent years expenditures		405,987	1,613,393	631,422		2,650,802
Undesignated		2,351,603	5,726,173	5,733,526	10,675	13,821,977
TOTAL FUND BALANCES		2,997,276	9,339,566	6,511,163	10,675	18,858,680
TOTAL LIABILITIES AND FUND BALANCES		\$ 3,528,641	\$ 11,449,086	\$ 7,220,222	\$ 10,675	\$ 22,208,624
Total Governmental Fund Balances						\$ 18,858,680
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						
The cost of the capital assets is					\$ 20,013,953	
Accumulated depreciation is					(6,353,539)	13,660,414
Long-term liabilities are not due and payable in the current period and are not reported in the funds						
Bond payable						(1,140,800)
Compensated absences						(534,772)
Lease payable						(77,995)
Accrued interest is not included as a liability in government funds, it is recorded when paid						(160,353)
Deferred property taxes receivable at June 30, 2006 expected to be collected after September 1, 2006						49,661
Net assets of governmental activities						\$ 30,654,835

VAN BUREN INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue			Other	Total
	General fund	Special education fund	Vocational education fund	nonmajor governmental funds	governmental funds
REVENUES:					
Local sources:					
Property taxes	\$ 379,218	\$ 8,914,040	\$ 6,638,038	\$	\$ 15,931,296
Interest	106,779	334,617	222,221		663,617
Other	39,717	564,289	154,185	9,307	767,498
Total local sources	525,714	9,812,946	7,014,444	9,307	17,362,411
State sources	2,376,927	5,258,174	1,177,146	135,674	8,947,921
Federal sources	1,498,581	3,934,745	264,802	89,075	5,787,203
Operating transfers	262,703	28,909	160,167		451,779
Total revenues	4,663,925	19,034,774	8,616,559	234,056	32,549,314
EXPENDITURES:					
Instruction	681,687	6,057,822	4,345,616		11,085,125
Supporting services	4,747,350	10,134,147	3,230,568	88,634	18,200,699
Community services	3,947	113,060	1,718		118,725
Facilities acquisition	85,766	1,761,744	91,723		1,939,233
Outgoing transfers and other	59,500	1,234,963	7,343		1,301,806
Debt service:					
Principal repayment	53,137			93,518	146,655
Interest expense	4,940			42,156	47,096
Total expenditures	5,636,327	19,301,736	7,676,968	224,308	32,839,339
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (972,402)	\$ (266,962)	\$ 939,591	\$ 9,748	\$ (290,025)
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets		3,300	110		3,410
Transfers from other funds	1,281,190	193,204			1,474,394
Transfers to other funds	(193,204)	(805,421)	(475,769)		(1,474,394)
Total other financing sources (uses)	1,087,986	(608,917)	(475,659)		3,410
NET CHANGE IN FUND BALANCES	115,584	(875,879)	463,932	9,748	(286,615)
FUND BALANCES:					
Beginning of year, as restated (See Note 10)	2,881,692	10,215,445	6,047,231	927	19,145,295
End of year	\$ 2,997,276	\$ 9,339,566	\$ 6,511,163	\$ 10,675	\$ 18,858,680

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Net change in fund balances total governmental funds **\$ (286,615)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(677,026)
Capital outlay	2,283,156
Gain on sale of capital assets	3,410
Proceeds from sale of capital assets	(3,410)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	155,640
Accrued interest payable, end of the year	(160,353)

Repayments on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)

Repayment of principal on bonds payable	93,518
Payment of capital leases	53,137

Revenue is recorded on the accrual method in the statement of activities: in the governmental funds it is recorded on the modified accrual method and not considered available:

Deferred revenue, beginning of year	
Deferred revenue, end of year	49,661

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when the financial resources are used in the governmental funds:

Accrued compensated absences, beginning of the year	500,592
Accrued compensated absences, end of the year	<u>(534,772)</u>

Change in net assets of governmental activities **\$ 1,476,938**

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2006**

	<u>Private purpose trust fund</u>	<u>Agency funds</u>
ASSETS		
ASSETS:		
Cash	<u>\$ 15,960</u>	<u>\$ 27,316</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Due to student and other groups	\$	\$ 27,316
NET ASSETS:		
Reserved for trust activities	<u>15,960</u>	<u></u>
	<u>\$ 15,960</u>	<u>\$ 27,316</u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2006**

	Private purpose trust fund
Additions:	
Local sources	\$ 11,216
Deductions:	
Other expenses	<u>1,382</u>
Change in net assets	9,834
Net assets, beginning of year	<u>6,126</u>
Net assets, end of year	<u><u>\$ 15,960</u></u>

VAN BUREN INTERMEDIATE SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Van Buren Intermediate School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Van Buren Intermediate School District (the "District") is governed by the Van Buren Intermediate School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in two parts - invested in capital assets, net of related debt and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, interest income and other revenues.)

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and proprietary funds, the latter are also included in government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Special revenue funds:

The *special education fund* accounts for revenue sources that are legally restricted to expenditures for special education.

The *vocational education fund* accounts for revenue sources that are legally restricted to expenditures for career services and technical education.

Other Non-major Funds

The *special revenue funds* account for the revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Concluded)

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where both the principal and interest may be spent. These funds are not reported on the District financial statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements and internal service funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within approximately 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Modified Accrual Method (Concluded)

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Categorical Revenue

The District receives revenue from the state for general operations and to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	0.1452
Special revenue funds:	
Special education fund	3.4203
Vocational education fund	2.5654

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the general fund and special revenue funds consist of expendable supplies held for consumption and are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

Inventories of the vocational education fund are comprised principally of land held for resale and a house held for resale.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Continued)

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	20 - 50 years
Buses and other vehicles	8 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

The District's policies generally provide for granting vacation or sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special education and vocational education funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

5. Formal budgetary integration is employed as a management control device during the year for the general, special education and career services and vocational education funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2006. The District does not consider these amendments to be significant.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2006, the District had the following investments.

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's Rating	%
MILAF External Investment pool-MICMS	\$ 5,992	0.0027	AAAm	0.45%
MILAF External Investment pool-MIMAX	418,696	0.0027	AAAm	31.61%
MILAF Term A investments	900,000	0.0270	AAAm	67.94%
Portfolio weighted average maturity	<u>\$ 1,324,688</u>	<u>0.0200</u>		<u>100.00%</u>
1 day maturity equals 0.0027				

The District voluntarily invests certain excess funds in external pooled investment funds, which included money market funds. The pooled investment funds utilized by the District are the Michigan Investment Liquid Asset Funds (MILAF). These are external pooled investment funds of "qualified" investments for Michigan school districts. MILAF is not regulated nor are they registered with the SEC. MILAF reports as of June 30, 2006, the fair value of the District's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$17,781,239 of the District's bank balance of \$18,481,239 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount is \$17,842,335.

Concentration of credit risk - investments. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$43,276	\$ 17,842,335
Investments	<u>1,324,688</u>
	<u><u>\$ 19,167,023</u></u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

The above amounts are reported in the financial statements as follows:

Cash - Fiduciary fund	\$ 43,276
Cash - District wide	17,799,059
Investments - District wide	<u>1,324,688</u>
	<u><u>\$ 19,167,023</u></u>

NOTE 4 - RECEIVABLES

Receivables at June 30, 2006 from other governmental units consist of the following:

Governmental units:

State aid	\$ 1,452,160
Federal revenue	610,340
Other	<u>83,288</u>
	<u><u>\$ 2,145,788</u></u>

Amounts due from governmental units include amounts due from federal, state and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2005 Restated	Additions	Deletions	Balance June 30, 2006
Assets not being depreciated - land	\$ 395,481	\$ 85,496	\$	\$ 480,977
Other capital assets:				
Buildings and additions	12,593,463	1,813,331		14,406,794
Equipment	3,224,544	204,639		3,429,183
Buses and other equipment	1,607,151	179,690	89,842	1,696,999
Subtotal	17,425,158	2,197,660	89,842	19,532,976
Accumulated depreciation:				
Buildings and additions	3,485,197	272,374		3,757,571
Equipment	1,588,442	217,845		1,806,287
Buses and other equipment	692,716	186,807	89,842	789,681
Subtotal	5,766,355	677,026	89,842	6,353,539
Net capital assets	<u>\$ 12,054,284</u>	<u>\$ 1,606,130</u>	<u>\$</u>	<u>\$ 13,660,414</u>

Depreciation for the fiscal year ended June 30, 2006 amounted to \$677,026. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Prior year balances have been restated to include fully depreciated assets that were not included in the prior year balances.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT

The District issues general and limited obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term debt currently outstanding is as follows:

1998 limited obligation bonds (Durant bonds) due in annual installments of \$97,948 to \$456,458 due May 15, 2013, with interest at 4.76%. Certain state aid payments have been pledged as security.	\$ 1,140,800
Computer capital lease - month payments of \$2,862 with interest at 4.99%	77,995
Compensated absences	<u>534,772</u>
Total general long-term debt	<u><u>\$ 1,753,567</u></u>

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The annual payments to amortize the limited obligation bonds are as follows:

Year ending June 30,	Principal	Interest	Total
2007	\$ 97,948	\$ 37,704	\$ 135,652
2008	102,636	33,040	135,676
2009	456,458	183,793	640,251
2010	112,639	23,033	135,672
2011	118,004	17,670	135,674
2012 - 2013	<u>253,115</u>	<u>18,218</u>	<u>271,333</u>
	<u><u>\$ 1,140,800</u></u>	<u><u>\$ 313,458</u></u>	<u><u>\$ 1,454,258</u></u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (Concluded)

The annual payments to amortize the computer lease are as follows:

Year ending June 30,	Principal	Interest	Total
2007	\$ 33,715	\$ 3,386	\$ 37,101
2008	32,878	1,461	34,339
2009	11,402	118	11,520
	<u>\$ 77,995</u>	<u>\$ 4,965</u>	<u>\$ 82,960</u>

The following is a summary of the changes in liabilities reported in the general long-term debt account group.

	Computer lease	Limited obligation bond (Durant)	Compensated absences	Total
Balance, June 30, 2005, as restated	\$ 131,132	\$ 1,234,318	\$ 500,592	\$ 1,866,042
Additions			34,180	34,180
Deletions	(53,137)	(93,518)		(146,655)
Balance, June 30, 2006	77,995	1,140,800	534,772	1,753,567
Less current portion	(33,715)	(97,948)	(20,000)	(151,663)
Total due after one year	<u>\$ 44,280</u>	<u>\$ 1,042,852</u>	<u>\$ 514,772</u>	<u>\$ 1,601,904</u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES

The composition of interfund transfers is as follows:

	Transfers out			Total
	General fund	Special education fund	Vocational education fund	
Transfers in:				
General fund	\$	\$ 805,421	\$ 475,769	\$ 1,281,190
Special education fund	193,204			193,204
Total	<u>\$ 193,204</u>	<u>\$ 805,421</u>	<u>\$ 475,769</u>	<u>\$ 1,474,394</u>

Transfers are made annually to allocate expenditures for indirect costs.

Amounts due to and from other funds at June 30, 2006 are as follows:

Receivable fund	Amount	Payable fund	Amount
General fund	\$ 36,771	Special education fund	\$ 308,764
Vocational education fund	<u>273,095</u>	Vocational education fund	<u>1,102</u>
	<u>\$ 309,866</u>		<u>\$ 309,866</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2006, were 14.87% of payroll through September 30, 2005, and 16.34% effective for October 1, 2005 through June 30, 2006. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2006, 2005 and 2004 were \$2,746,175, \$2,240,050 and \$1,882,899, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation and property and casualty. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

In addition the District is also a member of the West Michigan Health Insurance Pool (WMHIP) for medical insurance. Approximately 1,000 employees from all districts are covered under this pool. The pool is classified as a MEWA. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premium for said year, all members of the specific pool's policy year may be subject to special assessment for each occurrence with the overall maximum coverage being unlimited. The pool maintains reinsurance for claims in excess of \$75,000 per person per plan year. The District has not been informed of any special assessments being required. This is the first year in the pool and the District is committed to be in the pool for 3 years.

The District continues to carry commercial insurance for other needs including health insurance for other employee groups.

The School District also has a self-insured dental and vision plan for the benefit of certain employees. Claims are handled by an administrative service organization, which is reimbursed on a regular basis by the District. The balance of the plan at June 30, 2006 is \$17,779. The amount owed for claims submitted at June 30, 2006 is \$3,484. This amount is not included in the financial statements.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – PRIOR PERIOD ADJUSTMENT

	<u>General fund</u>	<u>Special education fund</u>	<u>Vocational education fund</u>
Fund balance June 30, 2005, as previously reported	\$ 2,755,054	\$ 10,153,863	\$5,987,703
Prior period adjustment - vacation accrued at the fund level including FICA and retirement	<u>126,638</u>	<u>61,582</u>	<u>59,528</u>
Fund balance June 30, 2005, as restated	<u><u>\$ 2,881,692</u></u>	<u><u>\$ 10,215,445</u></u>	<u><u>\$6,047,231</u></u>

At June 30, 2005, earned vacation pay was recorded as a liability and an expenditure at the fund level. Generally accepted accounting principles do not allow for this liability to be accrued at the fund level.

Net assets at June 30, 2005	\$ 29,430,740
Compensated absences	<u>(252,843)</u>
Net assets, June 30, 2005 as restated	<u><u>\$ 29,177,897</u></u>

At June 30, 2005, a liability at the district-wide level, a liability for estimated termination liabilities had not been recorded. Generally accepted accounting principles require this liability to be recorded.

REQUIRED SUPPLEMENTARY INFORMATION

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2006**

	Original budget	Final budget	Actual	Variance with final budget - positive (negative)
REVENUES:				
Local sources	\$ 425,600	\$ 494,000	\$ 525,714	\$ 31,714
State sources	2,244,798	2,422,069	2,376,927	(45,142)
Federal sources	972,496	1,586,190	1,498,581	(87,609)
Incoming transfers and other transactions	87,000	264,000	262,703	(1,297)
Total revenues	3,729,894	4,766,259	4,663,925	(102,334)
EXPENDITURES:				
Instruction	654,260	689,232	681,687	7,545
Supporting services	4,443,904	5,164,848	4,747,350	417,498
Community services	7,400	8,183	3,947	4,236
Facilities acquisition		171,200	85,766	85,434
Outgoing transfers and other	194,201	93,500	59,500	34,000
Debt service:				
Principal repayment		55,700	53,137	2,563
Interest expense		5,265	4,940	325
Total expenditures	5,299,765	6,187,928	5,636,327	551,601
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,569,871)	(1,421,669)	(972,402)	449,267
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	1,090,000	1,353,081	1,281,190	(71,891)
Operating transfers to other funds		(193,204)	(193,204)	
Total other financing sources (uses)	1,090,000	1,159,877	1,087,986	(71,891)
NET CHANGE IN FUND BALANCE	\$ (479,871)	\$ (261,792)	115,584	\$ 377,376
FUND BALANCE:				
Beginning of year, as restated			2,881,692	
End of year			<u>\$2,997,276</u>	

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2006**

	Original budget	Final budget	Actual	Variance with final budget - positive (negative)
REVENUES:				
Local sources	\$ 9,525,000	\$ 9,692,500	\$ 9,812,946	\$ 120,446
State sources	4,988,470	5,267,433	5,258,174	(9,259)
Federal sources	4,406,557	4,723,850	3,934,745	(789,105)
Incoming transfers and other transactions		16,250	28,909	12,659
Total revenues	<u>18,920,027</u>	<u>19,700,033</u>	<u>19,034,774</u>	<u>(665,259)</u>
EXPENDITURES:				
Instruction	6,626,628	6,671,612	6,057,822	613,790
Supporting services	11,354,738	11,651,407	10,134,147	1,517,260
Community services	169,782	211,566	113,060	98,506
Facilities acquisition	1,932,590	1,943,000	1,761,744	181,256
Outgoing transfers and other	1,370,000	1,480,000	1,234,963	245,037
Total expenditures	<u>21,453,738</u>	<u>21,957,585</u>	<u>19,301,736</u>	<u>2,655,849</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(2,533,711)</u>	<u>(2,257,552)</u>	<u>(266,962)</u>	<u>1,990,590</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets		5,000	3,300	(1,700)
Operating transfers from other funds		193,204	193,204	
Operating transfers to other funds	<u>(710,656)</u>	<u>(897,065)</u>	<u>(805,421)</u>	<u>91,644</u>
Total other financing sources (uses)	<u>(710,656)</u>	<u>(698,861)</u>	<u>(608,917)</u>	<u>89,944</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (3,244,367)</u></u>	<u><u>\$ (2,956,413)</u></u>	<u>(875,879)</u>	<u><u>\$ 2,080,534</u></u>
FUND BALANCE:				
Beginning of year, as restated			<u>10,215,445</u>	
End of year			<u><u>\$ 9,339,566</u></u>	

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
VOCATIONAL EDUCATION FUND
YEAR ENDED JUNE 30, 2006**

	Original budget	Final budget	Actual	Variance with final budget - positive (negative)
REVENUES:				
Local sources	\$ 7,004,323	\$ 7,056,979	\$ 7,014,444	\$ (42,535)
State sources	1,100,000	1,105,900	1,177,146	71,246
Federal sources	335,814	258,377	264,802	6,425
Incoming transfers and other transactions	130,000	162,000	160,167	(1,833)
Total revenues	<u>8,570,137</u>	<u>8,583,256</u>	<u>8,616,559</u>	<u>33,303</u>
EXPENDITURES:				
Instruction	5,014,487	4,674,657	4,345,616	329,041
Supporting services	3,692,791	3,811,947	3,230,568	581,379
Community services	4,500	3,500	1,718	1,782
Facilities acquisition	47,000	74,341	91,723	(17,382)
Outgoing transfers and other	15,106	9,928	7,343	2,585
Total expenditures	<u>8,773,884</u>	<u>8,574,373</u>	<u>7,676,968</u>	<u>897,405</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(203,747)</u>	<u>8,883</u>	<u>939,591</u>	<u>930,708</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets		1,000	110	(890)
Operating transfers to other funds	<u>(475,000)</u>	<u>(476,016)</u>	<u>(475,769)</u>	<u>247</u>
Total other financing uses	<u>(475,000)</u>	<u>(475,016)</u>	<u>(475,659)</u>	<u>(643)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (678,747)</u>	<u>\$ (466,133)</u>	<u>463,932</u>	<u>\$ 930,065</u>
FUND BALANCE:				
Beginning of year, as restated			<u>6,047,231</u>	
End of year			<u>\$ 6,511,163</u>	

ADDITIONAL INFORMATION

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING BALANCE SHEET
JUNE 30, 2006**

	<u>Food service</u>	<u>Durant debt service</u>	<u>Total nonmajor governmental funds</u>
ASSETS			
ASSETS:			
Cash	<u>\$ 10,675</u>	<u>\$ </u>	<u>\$ 10,675</u>
FUND BALANCES			
FUND BALANCES:			
Unreserved, undesignated	<u>\$ 10,675</u>	<u>\$ </u>	<u>\$ 10,675</u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006**

	<u>Food service</u>	<u>Durant debt service</u>	<u>Total nonmajor governmental funds</u>
REVENUE:			
Local sources	\$ 9,307	\$	\$ 9,307
State sources		135,674	135,674
Federal sources	<u>89,075</u>		<u>89,075</u>
Total revenues	<u>98,382</u>	<u>135,674</u>	<u>234,056</u>
EXPENDITURES:			
Support services	88,634		88,634
Debt service:			
Principal repayment		93,518	93,518
Interest expense		<u>42,156</u>	<u>42,156</u>
Total expenditures	<u>88,634</u>	<u>135,674</u>	<u>224,308</u>
NET CHANGE IN FUND BALANCES	9,748		9,748
FUND BALANCES:			
Beginning of year	<u>927</u>		<u>927</u>
End of year	<u><u>\$ 10,675</u></u>	<u><u>\$</u></u>	<u><u>\$ 10,675</u></u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
DURANT NON-PLAINTIFF BOND
JUNE 30, 2006**

Year ending June 30,	Principal	Interest rate	Interest due	Total
2007	\$ 97,948	4.76%	\$ 37,704	\$ 135,652
2008	102,636	4.76%	33,040	135,676
2009	456,458	4.76%	183,793	640,251
2010	112,639	4.76%	23,033	135,672
2011	118,004	4.76%	17,670	135,674
2012	123,615	4.76%	12,052	135,667
2013	129,500	4.76%	6,166	135,666
	<u>\$ 1,140,800</u>		<u>\$ 313,458</u>	<u>\$ 1,454,258</u>

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorized the payment of the State Aid Payments directly to the Authority's Depository.

VAN BUREN INTERMEDIATE SCHOOL DISTRICT
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2006

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Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Van Buren Intermediate School District
Lawrence, Michigan

October 13, 2006

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren Intermediate School District as of and for the year ended June 30, 2006, which collectively comprise Van Buren Intermediate School District's basic financial statements and have issued our report thereon dated October 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Van Buren Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Board of Education
Van Buren Intermediate School District

October 13, 2006

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Van Buren Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Van Buren Intermediate School District in a separate letter dated October 13, 2006.

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education and Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mamer, Costeniser & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Van Buren Intermediate School District
Lawrence, Michigan

October 13, 2006

Compliance

We have audited the compliance of Van Buren Intermediate School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Van Buren Intermediate School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of Van Buren Intermediate School District's management. Our responsibility is to express an opinion on Van Buren Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Van Buren Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Van Buren Intermediate School District's compliance with those requirements.

October 13, 2006

In our opinion, Van Buren Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Van Buren Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Van Buren Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Van Buren Intermediate School District as of and for the year ended June 30, 2006, and have issued our report thereon dated October 13, 2006. Our audit was performed for the purpose of forming opinions on the financial statements taken as a whole that collectively comprise Van Buren Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

Federal grantor program/program title	Federal CFDA Number	Approved award/grant amount	Accrued (deferred) revenue 06/30/05	Prior year (memorandum only)	Current year expenditures	(Cash basis) current year receipts	Accrued (deferred) revenue 06/30/06
<u>U.S. Department of Agriculture:</u>							
Passed through Michigan Department of Education:							
Food Distribution Program:							
Entitlement Commodities	10.550	\$ 6,929	\$	\$	\$ 6,929	\$ 6,929	\$
Bonus Commodities	10.550	1,168			1,168	1,168	
Total Food Distribution Program		8,097			8,097	8,097	
Child Nutrition Cluster:							
National School Lunch Program							
051950	10.555	537			537	537	
051960	10.555	3,243			3,243	3,243	
061950	10.555	3,942			3,942	3,942	
061960	10.555	24,161			24,161	24,161	
Total National School Lunch		31,883			31,883	31,883	
Summer Food Service:							
050900	10.559	44,444			44,444	44,444	
051900	10.559	4,652			4,652	4,652	
Total Summer Food Service		49,096			49,096	49,096	
Total Child Nutrition Cluster		80,979			80,979	80,979	
Total U.S. Department of Agriculture		89,076			89,076	89,076	

The accompanying notes are an integral part of this schedule.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

Federal grantor program/program title	Federal CFDA Number	Approved award/grant amount	Accrued (deferred) revenue 06/30/05	Prior year (memorandum only)	Current year expenditures	(Cash basis) current year receipts	Accrued (deferred) revenue 06/30/06
<u>U.S. Department of Education:</u>							
Direct from U.S. Department of Education:							
Small Rural Schools Achievement Program							
S358A045726	84.358A	\$ 39,650	\$	\$	\$ 39,650	\$ 39,650	\$
S358A055726	84.358A	41,737			3,845	3,845	
Total Small Rural Schools Achievement Program		81,387			43,495	43,495	
Carol M. White Physical Education Program							
Q215F050068	84.215F	398,664			383,580	304,500	79,080
Total Direct from U.S. Department of Education		480,051			427,075	347,995	79,080
Passed through Michigan Department of Education:							
Special Education Cluster:							
Handicapped and School Programs							
040450 0304	84.027	2,676,995	125,995	2,676,995		125,995	
050450 0405	84.027	3,152,943	855,594	2,391,594	761,349	1,616,943	
060450 0506	84.207	3,262,826			2,623,244	2,215,000	408,244
050480 EOSD	84.027	40,000	5,000	40,000		5,000	
060480 EOSD	84.027	50,000			50,000	50,000	
050490TS	84.027	70,000	24,000	70,000		24,000	
060490 TS	84.027	70,000			70,000	48,000	22,000
050490CB	84.027	32,734	8,734	32,734		8,734	
Total Handicapped and School Programs		9,355,498	1,019,323	5,211,323	3,504,593	4,093,672	430,244
Preschool Grant							
040460-0304	84.173	103,433	4,433	103,433		4,433	
050460 0405	84.173	103,680	20,710	52,710	50,970	71,680	
060460 0506	84.173	101,124			49,855	33,000	16,855
Total Preschool Incentive		308,237	25,143	156,143	100,825	109,113	16,855
Total Special Education Cluster		9,663,735	1,044,466	5,367,466	3,605,418	4,202,785	447,099

The accompanying notes are an integral part of this schedule.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

Federal grantor program/program title	Federal CFDA Number	Approved award/grant amount	Accrued (deferred) revenue 06/30/05	Prior year (memorandum only)	Current year expenditures	(Cash basis) current year receipts	Accrued (deferred) revenue 06/30/06
<u>U.S. Department of Education (Continued):</u>							
Passed through Michigan Department of Education (Continued):							
Title I, Migrant Education							
041850 20042	84.011	\$ 145,806	\$ 45,806	\$ 145,806	\$	\$ 45,806	\$
051830 2005	84.011	533,952	54,760	54,760	479,192	533,952	
051890 0405	84.011	339,690	15,174	339,174	516	15,690	
051850 20042	84.011	115,500	2,705	2,705	94,912	98,000	(383)
061850/20052	84.011	15,000			14,830		14,830
051850 20054	84.011	24,175			24,175	24,175	
061830 2006	84.011	626,994			52,277	50,000	2,277
061850 20062	84.011	148,500			6,399	6,000	399
061850 20064	84.011	73,500			423	500	(77)
061890 0506	84.011	289,598			286,704	275,000	11,704
Total Title I, Migrant Education		2,312,715	118,445	542,445	959,428	1,049,123	28,750
Voc Ed Basic Grants to States							
053260 501611	84.048	25,000			25,000	21,737	3,263
060460 0506	84.048	6,385			6,385	4,000	2,385
Total Voc Ed Basic Grants to States		31,385			31,385	25,737	5,648
Infants and Toddlers							
041340 190	84.181	202,446	46,446	202,446		46,446	
051340 190	84.181	190,456	(18,347)	31,753	158,703	140,356	
061340 190	84.181	165,612			29,833		29,833
Total Infants and Toddlers		558,514	28,099	234,199	188,536	186,802	29,833

The accompanying notes are an integral part of this schedule.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

Federal grantor program/program title	Federal CFDA Number	Approved award/grant amount	Accrued (deferred) revenue 06/30/05	Prior year (memorandum only)	Current year expenditures	(Cash basis) current year receipts	Accrued (deferred) revenue 06/30/06
<u>U.S. Department of Education (Continued):</u>							
Passed through Michigan Department of Education (Concluded):							
Title II, Part A Improving Teacher Quality							
040520 0405	84.367	\$ 430	\$ 430	\$ 430	\$	\$ 430	\$
050520 0405	84.367	1,375	1,375	1,375		1,375	
050520 0506	84.367	170			170	170	
060520 0506	84.367	852			784	258	526
Total Title II, Part A, Improving Teacher Quality		2,827	1,805	1,805	954	2,233	526
Title V, Part A, Innovative							
040250 0405	84.298	2,745	1,644	1,644		1,644	
050250 0506	84.298	29			29	29	
060250 0506	84.298	1,789			1,789	1,789	
Total Title V, Innovative		4,563	1,644	1,644	1,818	3,462	
Title III, English Language Acquisition							
040580 0405	84.365	396	396	396		396	
050580 0405	84.365	79,152	62,949	74,949	4,203	67,152	
050580 0506	84.365	1,748			1,748	1,748	
060580 0506	84.365	103,325			96,683	80,000	16,683
Total Title III, English Language Acquisition		184,621	63,345	75,345	102,634	149,296	16,683
Total passed through Michigan Department of Education		12,758,360	1,257,804	6,222,904	4,890,173	5,619,438	528,539

The accompanying notes are an integral part of this schedule.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

Federal grantor program/program title	Federal CFDA Number	Approved award/grant amount	Accrued (deferred) revenue 06/30/05	Prior year (memorandum only)	Current year expenditures	(Cash basis) current year receipts	Accrued (deferred) revenue 06/30/06
<u>U.S. Department of Education (Concluded):</u>							
Passed Through Lewis Cass ISD:							
CTE Perkins							
063520 501219	84.048	\$ 186,432	\$	\$	\$ 186,432	\$ 186,432	\$
Passed through Berrien County ISD :							
Safe and Drug-Free Schools							
0405-0159 A2	84.186	485			485	485	
Tech Prep							
053540 501219	84.243	34,132			34,132	34,132	
Total passed through Berrien County ISD		34,617			34,617	34,617	
Total U.S. Department of Education		13,459,460	1,257,804	6,222,904	5,538,297	6,188,482	607,619
<u>U.S. Department of Labor:</u>							
Passed through Berrien County ISD :							
Entrepreneurship Curriculum Development Grant							
650W02-01	17.267	26,500	(8,553)	13,647	12,853	4,300	
Total U.S. Department of Labor		26,500	(8,553)	13,647	12,853	4,300	

The accompanying notes are an integral part of this schedule.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

Federal grantor program/program title	Federal CFDA Number	Approved award/grant amount	Accrued (deferred) revenue 06/30/05	Prior year (memorandum only)	Current year expenditures	(Cash basis) current year receipts	Accrued (deferred) revenue 06/30/06
<u>US Department of Health and Human Services:</u>							
Passed through Michigan Department of Community Health:							
Medicaid School Based Services	93.778	\$ 7,970	\$ 2,233	\$ 21,916	\$ 7,970	\$ 10,162	\$ 41
Medicaid Administrative Outreach	93.778	132,335		130,886	132,335	85,826	46,509
Total passed through Michigan Department of Community Health		140,305	2,233	152,802	140,305	95,988	46,550
Total U.S. Department of Health and Human Services		140,305	2,233	152,802	140,305	95,988	46,550
<u>U.S Department of Homeland Security:</u>							
Passed through State of Michigan:							
2003 State Homeland Security Grant Program, Part II Equipment	97.004	6,672			6,672	6,672	
Total Federal Financial Assistance		<u>\$13,722,013</u>	<u>\$ 1,251,484</u>	<u>\$ 6,389,353</u>	<u>\$ 5,787,203</u>	<u>\$ 6,384,518</u>	<u>\$ 654,169</u>

The accompanying notes are an integral part of this schedule.

VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS
YEAR ENDED JUNE 30, 2006

Federal grantor program/program title	Federal CFDA Number	Approved award/grant amount	Accrued (deferred) revenue 06/30/05	Prior year (memorandum only)	Current year expenditures	(Cash basis) current year receipts	Accrued (deferred) revenue 06/30/06
Medicaid Administrative Outreach							
Passed Through to:	84.367						
Bangor Public Schools		\$ 15,083	\$	\$	\$ 15,083	\$ 9,531	\$ 5,552
Bloomington Public Schools		7,336			7,336	4,410	2,926
Covert Public Schools		5,162			5,162	3,396	1,766
Decatur Public Schools		5,414			5,414	3,549	1,865
Gobles Public Schools		5,075			5,075	3,209	1,866
Hartford Public Schools		11,440			11,440	7,261	4,179
Lawrence Public Schools		6,186			6,186	4,197	1,989
Lawton community Schools		5,531			5,531	3,072	2,459
Mattawan Consolidated Schools		19,983			19,983	13,102	6,881
Paw Paw Public Schools		11,207			11,207	7,047	4,160
South Haven Public Schools		13,195			13,195	8,681	4,514
Total Medicaid Administrative Outreach							
Passed to Subrecipients		105,612			105,612	67,455	38,157
Total Federal Funds Passed							
Through to Subrecipients		\$ 105,612	\$	\$	\$ 105,612	\$ 67,455	\$ 38,157

The accompanying notes are an integral part of this schedule.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activities of Van Buren Intermediate School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and reconciles with the amounts in the preparation of the financial statements.
2. CFDA Programs Special Education Cluster 84.027 and 84.173 and Carol M. White 84.215F were audited as major programs representing 69% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Expenditures in this schedule have been reconciled with Michigan Department of Education financial reports (DS4044, DS4092A, and other applicable reports).
5. The amounts reported on Report R7120, Grant Section Auditors' Report, reconcile with this schedule.
6. Federal revenue is reported in the following funds in the financial statements:

General fund	\$ 1,498,581
Special education fund	3,934,745
Vocational education fund	264,802
School lunch fund	<u>89,075</u>
	<u><u>\$ 5,787,203</u></u>
 Federal expenditures reported in the Schedule of Expenditures of Federal Awards	 <u><u>\$ 5,787,203</u></u>
7. Subrecipients - Of the federal expenditures presented in the schedule of expenditures of federal awards, Van Buren Intermediate School District provided federal awards to subrecipients reported in the enclosed schedule of pass through amounts.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not
- considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X No
- Reportable condition(s) identified that are not
- considered to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

_____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 and 84.173	Special Education Cluster
84.215F	Carol M.White

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

Section II - Financial Statement Findings

No matters were reported for the year ended June 30, 2006.

Section III - Federal Award Findings and Questioned Costs

No findings or questioned costs were noted for the year ended June 30, 2006.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

There were no findings for the prior two years.



Lamonte T. Lator
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Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

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Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

October 13, 2006

To the Board of Education
Van Buren Intermediate School District
Lawrence, Michigan

In planning and performing our audit of the financial statements of Van Buren Intermediate School District for the year ended June 30, 2006, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated October 13, 2006, on the financial statements of Van Buren Intermediate School District.

Vocational Technology Cash Handling

During our audit we gained an understanding of the cash handling procedures in the Vocational Education area. It is our understanding formalized written cash handling procedures have not been implemented. We recommend the vocational technology programs that handle cash have written policies and procedures manuals developed and implemented for the handling of cash.

Journal Entries

Currently a formal documented process for the review of monthly journal entries is not in place. We recommend a formal process be implemented for the review and approval of journal entries made to the accounting system at the end of every month. This would include the person approving the journal entry to sign and date their approval of the entry.

Bank Reconciliations

All bank reconciliations should be reviewed by some other than the person who prepares the reconciliation. This review would include the person reviewing the reconciliation to sign and date the reconciliation so that it is documented that it has been reviewed.

Approval of Payroll

Currently approval of payroll is not documented in writing. We recommend written approval of payroll should be made before every payroll is processed.

Client Satisfaction Awareness

Currently the District provides computer services to a number of districts. The District does not currently have a process in place to independently evaluate the status of the user's satisfaction with the software service and related items. We recommend the District consider developing an annual client satisfaction survey to its user group. This would allow the District to receive annual input and also serve as an evaluation of the District's operation in this area.

Disaster Recovery Plan

The District does not have a formal disaster recovery plan. The District is in the middle of a migration to a new platform. Once this migration is done the District expects to upgrade the old server and relocate it to an alternate site to be used as a key part of its disaster recovery plan. We commend the District's efforts in developing a comprehensive business continuity plan and encourage them to complete this plan as quickly as possible.

Computer Passwords

We understand that users are encouraged, but not required to change their computer passwords on a regular basis. In order to reduce the risk of access to computer files by unauthorized personnel, we recommend the District institute a policy that requires passwords to be changed on a regular basis. The District may also wish to utilize the ability built into the software to automatically establish expiration dates on passwords to ensure that they are changed periodically.

Budget Enforcement by the Michigan Department of Education

The Michigan Department of Education is changing their enforcement and monitoring of budget violations. They are currently focusing on total expenditures violations that exceed 1% of the total expenditures budget and total other financing uses that exceed 1% of the total other financing uses budget. The Department of Education will be issuing letters to school board presidents, the superintendent and the chief business official when they identify these types of violations.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board.
- Ending the fiscal year with a negative general fund balance.
- Adopting a budget that, when implemented, would put the District in a deficit.

The Department is also currently reviewing their interpretation of Section 17(2). This would be a situation where a district's actual revenues were less than budgeted revenues and, at the same time, depleted the district fund balance, beyond what was approved in total by the school board.

We recommend you continue to review your current budget amendments during the year. There will be situations where there continue to be budget violations as disclosed in footnote 2 subsection 3 of the financial statements. While there may be technical violations of the act we believe the district's current budget procedures should be monitored during the year to avoid budget violation letters from the Michigan Department of Education.

Cash Management - Federal Awards

The Michigan Department of Education has recently been notified that it, along with all other states, has misinterpreted the advance provision of the Cash Management Improvement Act (CMIA). The United States Department of Education started monitoring and auditing CMIA compliance and is notifying sub-recipients that advances are limited to three days cash needs. In other words, funds must be spent by the district within 72 hours of being drawn down from the USDE GAPS system. Because of this new awareness, the department will no longer allow 30-day cash advances for ongoing programs during fiscal year 2006/2007. Thirty-day cash advances may be permitted for new one-time federal grant programs at the discretion of program management.

We recommend the District request funds on a reimbursement basis in order to ensure compliance with the revised cash management interpretation.

New Auditing Standards

Recently, ten (10) new auditing standards have been released and will become effective over the District's next two fiscal years. In reviewing the new standards, we do not believe, for the most part, they will have a significant impact on our overall audit approach. However, two of the new standards may directly impact the District beginning with the June 30, 2007 year-end.

One of the new standards revises the dating of the auditors' report. Under the old standards, the auditors' report was dated the last day of fieldwork. The new standards define the date as the date adequate audit evidence is obtained. Adequate audit evidence is now being interpreted as including the client's approval of draft financial statements. Although the dating of the report may seem trivial to non-auditors, it does have an impact on auditors' subsequent events work (June 30 through date of the auditors' report). The impact to the District could be if there was a long period of time needed to resolve certain open issues. This would extend the dating of the auditors' report and increase the amount of work we need to complete our subsequent events work.

Another standard effective for the June 30, 2007 year-end is related to our communications with the client. The new standard retained the definition of a "material weakness" and added two new categories of deficiencies "significant deficiency" and "control deficiency". Certain situations were included as examples of strong indicators of significant deficiencies and possibly material weaknesses. One of the situations is the client is unable to write financial statements, including the footnotes, in accordance with generally accepted accounting principles. We do not believe this will be an issue with your district.

To the Board of Education
Van Buren Intermediate School District
Lawrence, Michigan

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October 13, 2006

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Van Buren Intermediate School District, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mary Costenaro & Ellis, P.C.



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October 13, 2006

To the Board of Education
Van Buren Intermediate School District
Lawrence, Michigan

We have audited the financial statements of Van Buren Intermediate School District for the year ended June 30, 2006, and have issued our report thereon dated October 13, 2006. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Van Buren Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Van Buren Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Van Buren Intermediate School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major programs for the purpose of expressing an opinion on Van Buren Intermediate School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Van Buren Intermediate School District's compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Van Buren Intermediate School District are described in Note 1 to the financial statements. No new accounting policies were adapted and the application of existing policies was not changed during 2006. We noted no transactions entered into by Van Buren Intermediate School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus except as disclosed to record a prior period adjustment.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is the estimated liability for compensated absences and capital assets.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Van Buren Intermediate School District's financial reporting process, that is, cause future financial statements to be materially misstated. In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Van Buren Intermediate School District, either individually or in the aggregate, indicate matters that could have a significant effect on the Van Buren Intermediate School District's financial reporting process except for the prior period adjustment.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants. We did consult with the predecessor auditors and they concurred with the prior period adjustment.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Van Buren Intermediate School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Board of Education
Van Buren Intermediate School District
Lawrence, Michigan

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October 13, 2006

8. Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the board of education and management of Van Buren Intermediate School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mamay, Costeusan & Ellis, P.C.